



House of Representatives

File No. 545

General Assembly

February Session, 2002

(Reprint of File No. 38)

Substitute House Bill No. 5423
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
April 19, 2002

AN ACT CONCERNING BANK PARITY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-44 of the general statutes, as amended by
2 section 3 of public act 01-72 and section 103 of public act 01-9 of the
3 June special session, is repealed and the following is substituted in lieu
4 thereof (*Effective October 1, 2002*):

5 No provision of sections 36a-41 to 36a-45, inclusive, as amended,
6 shall be construed to prohibit: (1) The preparation, examination,
7 handling or maintenance of any financial records by any officer,
8 employee or agent of a financial institution having custody of such
9 records or the examination of such records by a certified public
10 accountant engaged by the financial institution to perform an
11 independent audit; (2) the examination of any financial records by, or
12 the furnishing of financial records by a financial institution to any
13 official, employee or agent of a supervisory agency solely for use in the
14 exercise of the duties of such official, employee or agent; (3) the
15 publication of data furnished from financial records relating to

16 customers where such data does not contain information identifying
17 any particular customer or account; (4) the making of reports or
18 returns required under the Internal Revenue Code of 1986, or any
19 subsequent corresponding internal revenue code of the United States,
20 as from time to time amended; (5) disclosure of information permitted
21 under the Uniform Commercial Code concerning the dishonor of any
22 negotiable instrument; (6) the exchange, in the regular course of
23 business, of credit information between a financial institution and
24 other financial institutions or commercial enterprises, directly or
25 through a consumer reporting agency; (7) disclosures to appropriate
26 officials of federal, state or local governments upon suspected
27 violations of the criminal law; (8) disclosures pursuant to a search
28 warrant issued by a judge of the Superior Court or a judge trial referee
29 under the provisions of section 54-33a, as amended; (9) disclosures
30 concerning lawyers' clients' funds accounts made to the state-wide
31 grievance committee pursuant to any rule adopted by the judges of the
32 Superior Court; (10) disclosures to the purported payee or to any
33 purported holder of a check, draft, money order or other item, whether
34 or not such check, draft, money order or other item has been accepted
35 by such payee or holder as payment, or to any financial institution
36 purportedly involved in the collection process of a check, draft, money
37 order or other item whether such check, draft, money order or other
38 item would be paid if presented at the time of such disclosure; (11) any
39 disclosure made in connection with a financial institution's attempts to
40 preserve its rights or determine its liabilities with regard to any funds
41 transfer or any check, draft, money order or other item drawn by or
42 upon it or handled by it for collection or otherwise; (12) the transfer of
43 information from a Connecticut credit union to a shared service center
44 and the personnel of such shared service center which takes place
45 when a member of such Connecticut credit union uses a shared service
46 center to effect a transaction with such Connecticut credit union; (13)
47 any other disclosure required under applicable state or federal law or
48 authorized to be made to any regulatory or law enforcement agency
49 under applicable state or federal law; (14) disclosures made to a
50 broker-dealer or investment advisor that is engaged in a contractual

51 networking arrangement with the financial institution making the
52 disclosure, provided, it is clearly and conspicuously disclosed to the
53 customer that the information may be communicated among such
54 entities and the customer is given a reasonable opportunity, before the
55 time that the information is initially communicated, to direct that such
56 information not be communicated among such entities; (15)
57 disclosures made to a customer service representative who is
58 employed by, or otherwise acts as an agent for, both the financial
59 institution and a broker-dealer, or both the financial institution and an
60 investment advisor, where such broker-dealer or investment advisor is
61 engaged in a contractual networking arrangement; and (16) disclosures
62 to other employees or agents of a broker-dealer or investment advisor
63 engaged in a contractual networking arrangement in order to comply,
64 or verify compliance, with applicable laws governing the activities of
65 the financial institution, broker-dealer or investment advisor. For
66 purposes of this section, the phrase "contractual networking
67 arrangement" means a contractual arrangement between a financial
68 institution and a broker-dealer registered in this state or an investment
69 advisor registered in this state or that has filed a notice of exemption
70 pursuant to subsection (e) of section 36b-6, where the broker-dealer or
71 investment advisor offers securities related services to the customers of
72 the financial institution.

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| This act shall take effect as follows: | |
| Section 1 | October 1, 2002 |

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill concerns the disclosure of financial information and does not have a fiscal impact on the Department of Banking.

House "A" is technical in nature and does not have a fiscal impact.

OLR Amended Bill Analysis

sHB 5423 (as amended by House "A")*

AN ACT CONCERNING BANK PARITY**SUMMARY:**

This bill broadens the circumstances under which financial institutions may disclose financial records. First, it allows disclosure to a broker-dealer or investment advisor engaged in a contractual networking arrangement with the institution, if the customer is (a) advised that these entities may share the information among themselves and (b) before the initial sharing occurs, is given a reasonable opportunity to direct that the information not be shared. Second, it allows disclosure to a customer service representative who works or acts as an agent for both (1) the financial institution and (2) a broker-dealer or investment advisor engaged in a contractual networking arrangement. Third, it allows disclosure to a broker-dealer or investment advisor's other agents or employees engaged in a contractual networking arrangement in order to comply, or verify compliance, with applicable laws governing the financial institution, broker-dealer, or investment advisor's activities.

The bill defines a "contractual networking arrangement" as an arrangement between a financial institution and (1) a registered Connecticut broker-dealer; (2) a registered Connecticut investment advisor; or (3) an investment advisor that has filed a notice of exemption from registration, if the broker-dealer or investment advisor offers securities-related services to the financial institution's customers. By law, financial institutions are banks, Connecticut and federal credit unions, and other institutions authorized to accept deposits in Connecticut. Financial records include account statements, documents granting account signature authority, and checks or money orders. "Broker-dealer" means a person engaged in the business of effecting securities transactions for his own or others' accounts. An investment advisor is a person paid to (1) tell others about securities values or advise them about investing in, buying, or selling securities or (2) who issues or creates securities analyses or reports.

*House Amendment "A" replaces the original file, which allowed (1) affiliates to share information in compliance with the federal Fair Credit Reporting Act and (2) financial institutions to disclose information to a Connecticut broker-dealer or investment adviser in compliance with the 1999 federal Gramm-Leach-Bliley Financial Modernization Act. It added these provisions to the disclosures that the financial record disclosure laws permit.

EFFECTIVE DATE: October 1, 2002

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 16 Nay 1